BADGER DAYLIGHTING

The leading North American provider of non-destructive excavation services.

ANNUAL REPORT 2003

Badger Daylighting is North America's largest provider of non-destructive excavating services.

Badger traditionally works for contractors and facility owners in the utility and petroleum industries. Badger's key technology is the Badger Hydrovac, which is used primarily for safe digging in congested grounds and challenging conditions. The Badger Hydrovac uses a pressurized water stream to liquefy the soil cover, which is then removed with a powerful vacuum system and deposited into a storage tank. Badger manufactures its truck-mounted hydrovac units.

Business Model

Badger Daylighting's business model provides for excavating services through two distinct entities: the Operating Partners (franchise's in the United States and agents in Canada) and Badger Corporate.

Badger Corporate	+	Operating Partners	= an effective business model
Badger Corporate works with its Operating Partners to provide hydrovac service to the end-user. Badger Corporate provides the expertise, the trucks, and North American marketing and administration support.		The Operating Partners deliver the service by operating the equipment and developing their local markets. All work is invoiced by Badger Corporate and then shared with the Operating Partners based upon a revenue-sharing formula.	Utilizes strength of both parties through the local aspect of the Operating Partner and the global focus of Badger Corporate.

Financial Highlights

Year ended November 30 ($ millions, except per share information)	2003 ($)	2002 ($)
Revenues	**63.69**	50.08
Net Income	**3.98**	0.51
Net Income per share	**0.20**	0.03
Cash flow from continuing operations	**12.05**	7.47
Long-term debt, including current portion	**7.58**	14.04
Shareholders' equity	**38.69**	34.65

Distributing Value.

On March 24, 2004 our shareholders approved the conversion of Badger Daylighting to an income fund.

Our new name going forward is Badger Income Fund.

A diversity of markets

We serve multiple industries, ranging from power generation and telecommunications, to the energy sector and construction. This diversity lowers risk, resulting in more predictable cash flow.

Mobile assets

Our assets are mobile – we can move them to the areas of greatest activity.

Improved share price and liquidity

The trust structure allows us to raise equity at strong prices that can be reinvested into additional hydrovac units and expanding operations. It allows us to distribute a share of profits to unitholders in a tax-efficient manner. We will consider acquisitions that are accretive to net asset value and distributions.

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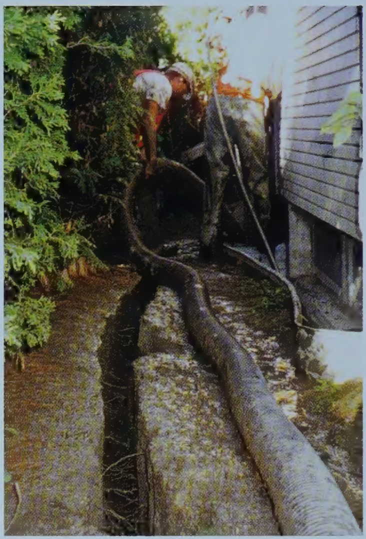
Our Value Proposition

1. Safety

Badger's work practices incorporate the most stringent safety standards. Crews work safely around any type of utility, including energized cables. Badger works with many of the major oil and gas companies plus large utilities.

2. Productivity

The Badger Hydrovac truck has many features to enhance safety and improve productivity. The unit out-performs other types of vacuum excavators while staying within safe operating limits.



3. Efficiency & Cost Savings

Our trucks surpass the productivity of trailer units, industrial cleaning units or sewer flushing trucks, and can deliver the highest excavating efficiency.

4. All-season Versatility

Badger Hydrovacs have been designed for extreme winter conditions and any depth of ground frost. All key components are protected and heated and a coiled heater produces hot water on demand.

What is Daylighting?

Daylighting is the uncovering and exposing of underground utilities and pipelines to the daylight. The Badger Hydrovac system is a non-destructive method of excavating. It uses pressurized water and a vacuum system to safely excavate around utilities and pipelines.

The process.

Badger's hydrovac system is a unique combination of systems – water, pressure and vacuum – combined in one self-contained, mobile unit. Water is pressurized and injected into the ground through a handheld wand to safely break up the soil from underground infrastructure. The resulting slurry is simultaneously vacuumed from the excavation through a large debris hose and temporarily stored in a debris tank.

Why is it used?

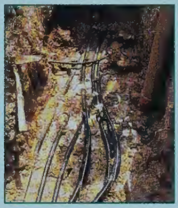
This non-destructive type of excavating is recognized as a best practice when working in areas with underground utility congestion and frozen ground. The Badger Hydrovac virtually eliminates any chance of damaging utilities, which may often be inaccurately located and marked on the surface. All aspects of Badger's service and equipment are designed to enhance safety on the job site, increase productivity and raise the level of customer service.

Core competencies.

Badger has many strengths which provide a sustainable competitive advantage and create value for our customers. These core competencies are daylighting expertise, technology and truck development, distribution and market development and fleet management.

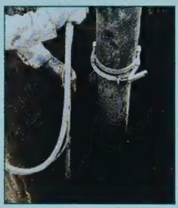
Daylighting/Potholing
- Visual confirmation of buried lines
- Service and splice pits
- Directional drilling test holes
- Cathodic anode installation
- Pipeline and utility crossings
- Subsurface Utility Engineering (S.U.E.)

Slot Trenching
- Pipeline tie-ins
- Investigative slot trenching
- Installation slot trenching
- Drain tile trenching
- Line fault repairs



Pits
- Maintenance pits
- Installation service pits

Debris Removal/Cleanouts
- Road and box culvert cleanouts
- Pipe-rammed casing cleanouts
- Material removal from inside structures and buildings



Pole/Piling Holes
- Utility poles, traffic signals, light standards and sign posts
- Pole removals and replacements
- End-bearing piles
- Pilot holes for friction piles
- Spread footing piles
- Well monitor installations

Shoring
- Shoring shields and cages
- Minimal ground disturbance
- Maintains ground integrity
- Installation in limited access sites
- Prevents sloughing and cave-ins
- Lower restoration costs
- Safe access to buried infrastructure

5. Badger's Network

Badger has the largest hydrovac fleet available in the United States and Canada on a 24/7 basis. Badger's toll-free, central dispatch delivers a well coordinated effort on every job.

6. Clean, Precise, Professional

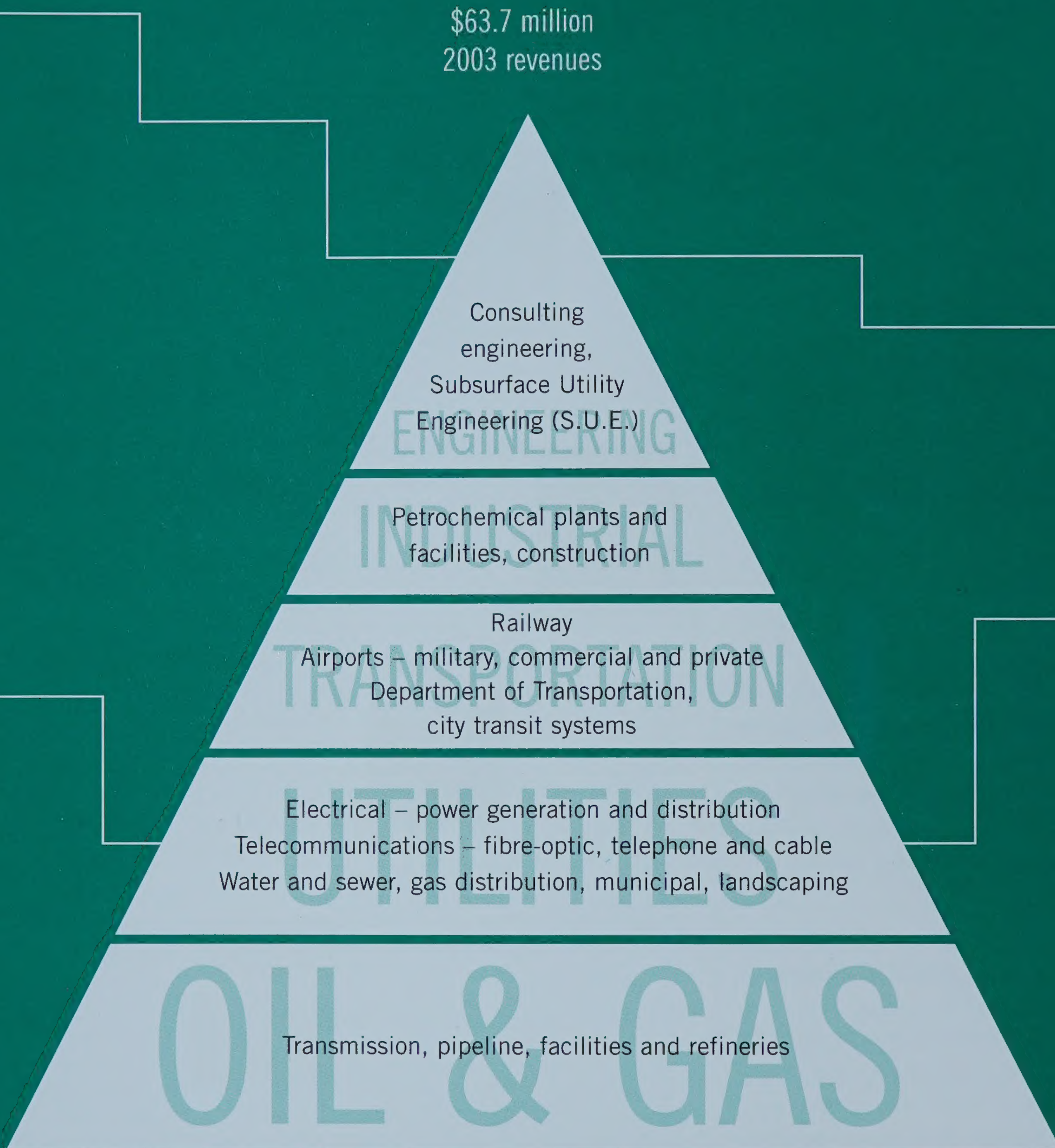
The Badger Hydrovac can excavate quickly while leaving a clean hole, which requires less restoration. Our managers devise the most appropriate solutions for any project or location.

7. Remote Excavating

Badger Hydrovacs are also capable of excavating at distances over 400 feet from the truck, enabling crews to work in areas with limited access.

8. Outsourcing

It makes economic sense for construction companies to outsource hydrovac projects. Badger hires and trains the operators and builds and maintains the equipment.



Multiple industrial sectors depend on Badger.

President's Message

2003 was a pivotal year for Badger. Initiatives we undertook in previous years paid off in growth and increased profitability. We have made a concerted effort to be the best provider of hydrovac service in North America. This focus began to pay off in 2003.

Tor Wilson
President & CEO

Highlights of 2003 and Key Recent Events Include:

1. Badger returned to growth and profitability in the U.S. over the last three quarters of 2003. The last step of the U.S. restructuring was completed during the first quarter. This restructuring was necessary to match our organization and U.S. assets to the volume of business. After restructuring, Badger focused its efforts on a narrow geographic area and key market segments. As a result, the U.S. business experienced growth and profitability in the latter part of 2003.
2. Achieved total Badger revenue growth of 27 percent by surpassing target utilization per truck. Strong oil and natural gas commodity prices resulted in more infrastructure development in the energy sector, which increased demand for Badger services and increased our utilization rates.
3. Significantly reduced debt level. Due to increased profitability and cash flow Badger was able to reduce its debt level during the year. Badger entered 2003 with just over $14 million in long-term debt and finished the year at $7.6 million of long-term debt. Subsequent to year-end Badger made an additional accelerated payment of $1 million to reduce this amount further.
4. Badger converts to an income trust. Subsequent to the 2003 year-end the Board of Directors decided to convert Badger Daylighting Inc. into an income trust. Management and directors spent a significant amount of time in 2003 to determine the best strategy for Badger. The decision to convert to a trust was the result of this effort.

2003 Goals and Results

In the 2002 annual report we outlined our plan and goals for 2003. I'm pleased to present the report card on our performance.

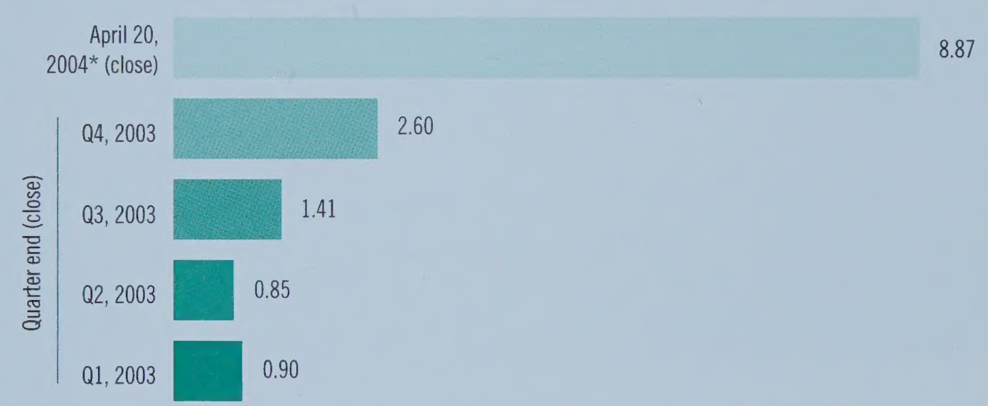
Continue building the Canadian business. Our Canadian revenues grew by 42 percent in 2003. During the year we took advantage of strong commodity prices and our improved market coverage.

Adjust U.S. infrastructure and assets to return to profitability. In the late 1990s Badger grew quickly in the U.S. to take advantage of the rapid expansion of fiber optic networks. When this infrastructure market disappeared in early 2001, Badger was slow to reduce its infrastructure and organization. In 2002 we decided to implement further reductions, which were completed in early 2003.

Obtain fleet average revenue of $25,000 per truck per month. Badger's average revenue per truck was $27,200 per truck per month. This is a very important achievement for Badger as it improves the Company's return on capital.

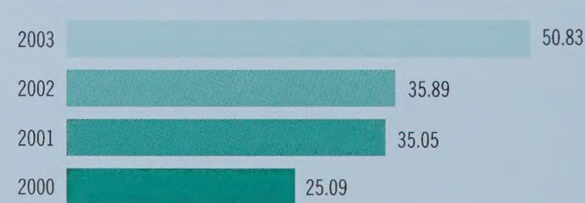
Continue to focus on core competencies and business processes that will help maintain or increase our competitive advantage. This goal is difficult to measure precisely. However, Badger made positive changes to improve market coverage. In both Canada and the U.S. Badger established new franchise's to expand its market presence.

Share Price ($)



* after 2 for 1 share consolidation

Daylighting revenues (Cdn$) – Canada ($ millions)



Daylighting revenues (Cdn$) – US ($ millions)

2004 Market Outlook

Badger divides the North American market into four areas: Western Canada, Eastern Canada, United States West and United States East. These areas are distinct in their stage of business development for Badger and also have different market characteristics.

Western Canada: This region currently represents Badger's most established market area. Badger began business here 11 years ago. The market is concentrated mainly on the oil and natural gas industry. In 2003 Badger had a strong year and was able to improve its market coverage in the region. Our goal remains the same for 2004, as there are a few areas where coverage can be improved.

Eastern Canada: Badger focuses most of its efforts in this region on the utility and infrastructure sectors, which had little growth in 2003. Badger had a mediocre year in the East and hopes to return to growth in 2004. Goals for this region are improved area and customer coverage.

Western United States: Badger made steady progress in this region during the last half of 2003. Our focused strategy on certain geographical areas and market segments is paying off. We anticipate continued progress on both fronts in 2004 and will be adding trucks and franchises in the most active areas.

Eastern United States: In 2003 Badger stabilized operations in this region. We built a strong foundation for growth by building stable relationships with local utilities and contractors. Our goal for 2004 is to expand operations from existing key locations by adding franchises in areas with good prospects.

Badger 2004 Goals

Our goals in 2004 are quite similar to 2003 with the exception of the U.S. market.

The U.S. business will move from a "break-even - stabilization" mentality to one of controlled growth. The outlook for Badger in the U.S. is positive, based on strong oil and natural gas prices, the improving economy and the large underground infrastructure which is in need of repair and maintenance. Badger will pursue additional franchise's and expand territory coverage in 2004.

Continue growth in the Canadian business. Badger has room to grow in Canada. We are not yet completely covering the core market areas and there are still many customers that are unaware of our services. This remains a challenge for our regional offices.

Maintain a $25,000 per truck per month fleet average. We will strive to maintain our current average revenue per truck per month. This is a critical measurement of our business as it has a very strong correlation to return on capital.

Continue to focus on core competencies and business processes that will help maintain and even increase our competitive advantage. This is a constant goal for Badger. We will continue to look at ways to improve our hydrovac units and Badger systems in 2004.

Conclusion

We are very pleased with the progress we made in 2003. The Company turned in strong results and is poised to do the same in 2004. With the United States operations now providing a positive return, Badger is a significantly stronger company than a year ago. We believe that our transition to an income trust will be positive for our shareholders. This transition will have no impact on our operations, but will allow us to distribute a portion of our profits to unitholders and to evaluate more opportunities for growth.

Badger is fortunate to have a very dedicated and committed group of employees. I congratulate them on a job well done in 2003. I also take this opportunity to thank the Board of Directors for their guidance during the past several years. And, as always, we appreciate the loyalty of our shareholders.

On behalf of the Board of Directors and management,

Tor Wilson
President and Chief Executive Officer
April 20, 2004

Management's Discussion and Analysis

2003 performance was driven by a higher level of activity in the Utility and Energy sectors and restructuring in the United States. Operating and financial results were significantly improved over 2002.

Greg Kelly, CA
Vice President
Finance & CFO

The management's discussion and analysis focuses on key statistics from the consolidated financial statements and pertains to known risks and uncertainties relating to the industrial, utility and oilfield service industries. This management's discussion and analysis should not be considered all inclusive, as it excludes changes that may occur in general economic, political and environmental conditions. The management's discussion and analysis of the financial condition and results of operations for the year ended November 30, 2003 should be read in conjunction with the consolidated financial statements and related notes and material contained in other parts of this annual report.

Overview

Highlights for the year are as follows:

- Badger generated significantly improved operating and financial results in fiscal 2003 versus 2002. Net income per share increased to $0.20 per share from $0.03 a year earlier.
- The Company completed the majority of its United States' restructuring in the first quarter of fiscal 2003 resulting in a significant reduction in United States' overhead costs.
- As part of rationalizing its United States' business, Badger transferred 22 hydrovac units from the United States to Canada between late 2002 and early 2003. These previously underutilized units generated strong revenue in Canada during 2003. Despite a much-reduced fleet size in the United States, the Company maintained approximately the same revenue for the year.
- A high level of activity in the utilities and energy sectors resulted in higher utilization of the Company's hydrovac units in Canada and the United States.

Results of Operations

Revenues

Revenues were $63.7 million in 2003 compared to $50.1 million in 2002. The 27 percent increase is attributable to the following:

- The majority of the increase was due to increased activity in Western Canada. Continued high petroleum commodity prices led to strong aggressive drilling activity by exploration and production companies, expansion of existing plants and processing facilities and new project spending in the Western Canada Sedimentary Basin, resulting in an increased demand for the Company's hydrovac services.
- In Eastern Canada, the Company's expanded customer base and increased spending on construction projects resulted in increased revenues in fiscal 2003 compared to 2002.
- The Company's United States' operations reflected a four percent decrease in revenues year over year. On a U.S. dollar basis prior to converting to Canadian currency, the United States operations actually generated increased revenues year over year with 22 fewer units and a reduced number of personnel.

Direct Costs

Direct costs were $43.4 million in 2003, a 30 percent increase over 2002's $33.5 million. This increase was higher than the 27 percent increase in revenues due to costs incurred in the first quarter of fiscal 2003 related to transferring units from the United States to Canada.

Amortization of Capital Assets

Amortization of capital assets was $6.0 million in 2003, or 14 percent higher than the $5.3 million in 2002. This increase was the result of reducing the salvage value attributable to the daylighting units at the beginning of fiscal 2003.

Interest Expense

Interest expense was $0.9 million in 2003 versus $1.1 million in 2002, a decrease of 13 percent. The lower interest expense resulted from carrying lower debt levels during fiscal 2003 compared to fiscal 2002.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $6.0 million in 2003 compared to $7.9 million in 2002. This decrease of 23 percent was predominantly due to the closing of seven United States' corporate locations in the first quarter of fiscal 2003, which significantly reduced overhead costs. The Company currently operates two corporate locations in the eastern part of the United States.

Selling, general and administrative expenses include salaries and benefits for office, safety and sales staff, rent, utilities, and communications in the Company's segments and corporate head office. These expenses also include costs to maintain the Company's public listing and professional fees.

Foreign Exchange Loss

The significant increase in the foreign exchange loss was due to the strengthening of the Canadian dollar against the U.S. dollar during fiscal 2003. The loss results from converting the United States' balance sheet and income statement into Canadian currency.

Income Taxes

Badger recorded an income tax expense of $2.6 million for fiscal 2003 resulting in an effective tax rate of 39 percent. This is more in line with the Company's anticipated future effective tax rate than the 75 percent effective tax rate reflected in fiscal 2002. The high 2002 tax rate was the result of no tax recovery being recorded for the $2.9 million of United States' losses incurred during fiscal 2002 due to the uncertainty of realizing the benefit of the United States' losses in future years.

Financial Condition and Liquidity

Cash Flow from Continuing Operations

Cash flow from continuing operations was $12.1 million in 2003 versus $7.5 million in 2002, an increase of 61 percent. Increased activity levels in the Canadian daylighting operations and reduced overhead costs in the United States accounted for the majority of the increase. The Company has been reinvesting this internally-generated cash flow into expanding the hydrovac business and debt repayment.

Financing

During fiscal 2003 Badger repaid $8.2 million of debt. Included in this amount is approximately $2.1 million which did not have to be paid during the year. However, based on the Company's strong cash flow generated from operations, management decided to accelerate the debt payments. Subsequent to year-end the Company prepaid another $1.0 million of debt.

Investing

During the year the Company spent $2.7 million on capital assets compared to $6.4 million in 2002. The main reason for the decrease was the reduced number of hydrovac units added to the fleet. During fiscal 2003 the Company added eight new hydrovac units, compared to 22 in fiscal 2002.

Hydrovac units

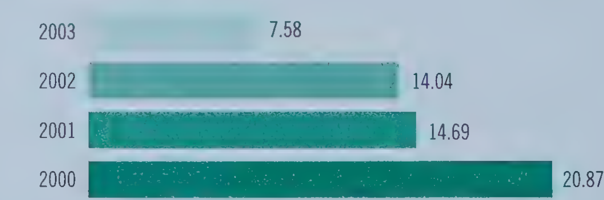
Liquidity and Capital Resources

Working capital was $6.5 million at November 30, 2003 compared to $3.1 million at November 30, 2002. Cash flow from continuing operations exceeded capital expenditures and the repayment of debt during fiscal 2003.

The Company's long-term debt, including the current portion, was $7.6 million at November 30, 2003 compared to $14.0 million at November 30, 2002. The Company repaid principal amounts owing pursuant to regularly scheduled repayments and accelerated its debt payments during fiscal 2003 due to the increased cash flow received from operations.

At November 30, 2003 the Company had a long-term debt to equity ratio of 0.09 and a long-term debt to trailing cash flow from continuing operations ratio of 0.29. The Company believes its healthy balance sheet and unutilized borrowing capacity, combined with cash generated from operations, will provide sufficient capital to fund its ongoing operations and future capital expenditures.

Long-term debt ($ millions)
(including current portion)



Business Risk

The oil and natural gas sector accounts for approximately 54 percent of the Company's revenues. The petroleum service industry relies heavily on the volume of capital expenditures made by oil and natural gas explorers and producers. These spending decisions are based on several factors including, but not limited to, hydrocarbon prices, production levels of current reserves and access to capital – all of which can vary greatly. To minimize the impact of the oil and natural gas industry cycles, the Company also focuses on generating revenue from the utility and general contracting market segments.

The Company operates in a highly competitive environment for hydrovac services in Western Canada. In order to remain the leading provider of hydrovac services in this region, the Company continually enhances its safety and operational procedures to ensure that they meet or exceed customer expectations. The Company also has the in-house capabilities to continuously improve its daylighting units so that they remain the most productive and efficient hydrovacs in the business.

In addition, Badger faces risks associated with doing business in the United States. The Company has made a significant investment in the United States to develop the hydrovac market, which to date has provided negative financial returns. The Company rationalized its United States' operations in the first quarter of fiscal 2003, transferring hydrovac units to Canada and closing down seven corporate-run locations. As a result of this initiative the United States generated a loss before taxes of $0.5 million for fiscal 2003 compared to a $2.9 million loss in 2002.

Safety is one of the Company's concerns. The Company has implemented programs to ensure its operations meet or exceed current hydrovac safety standards. The Company also employs regional safety managers who are responsible for maintaining and developing the Company's safety policies. In addition, these regional managers monitor the Company's operations to ensure they are operating in compliance with such policies.

The Company currently depreciates the hydrovac units over 10 years, a policy that is based on management's current knowledge and past experience. There is a certain amount of business risk that newer technology or some other unforeseen circumstance could lower this life expectation.

Due to the significant increase in insurance premiums, the Company decided to self-insure against any physical damage it could incur on the hydrovac units. This decision will be re-evaluated periodically as circumstances change.

Outlook

Badger enters 2004 with a strong balance sheet, a much reduced debt level and an improved operational focus. Based on continued strong oil and gas industry levels and positive economic conditions in North America, the Company is optimistic that the improved operating results achieved in 2003 will continue.

Regional Comments

- The Company's Western Canadian operation will continue to expand territory coverage to improve revenue in 2004.
- In Eastern Canada, the Company will continue to focus on expanding its utility customer base. The Company will also work to improve market coverage.
- The Western United States region will continue to grow, presenting opportunities for new oil and natural gas sector clients. Progress made in 2003 toward establishing new customers will benefit the Company in 2004.
- The Eastern United States remains a small business area for Badger, but holds good growth potential. Targets for 2004 include modest expansion of the Company's core market area.

Management's Statement of Responsibility

The accompanying consolidated financial statements of Badger Daylighting Inc. have been prepared by management in accordance with generally accepted accounting principles. The financial information contained elsewhere in this report has been reviewed to ensure consistency with the financial statements.

Management maintains systems of internal control designed to provide reasonable assurance that the assets are safeguarded. All transactions are authorized and duly recorded, and financial records are properly maintained to provide reliable information for the preparation of financial statements in a timely manner. The Board of Directors are responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee of the Board of Directors has reviewed the financial statements with management and the external auditors. Ernst & Young LLP, an independent firm of chartered accountants, appointed as external auditors by the shareholders, have audited the financial statements and their report is included herein.

Greg Kelly

Greg Kelly, CA
Vice President Finance & CFO
January 23, 2004

Auditors' Report

To the Shareholders of Badger Daylighting Inc.

We have audited the consolidated balance sheets of Badger Daylighting Inc. as at November 30, 2003 and 2002 and the consolidated statements of income and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants

Calgary, Canada
January 23, 2004
(except for Note 14 which is at February 6, 2004)

Consolidated Balance Sheets

As at November 30	2003 ($)	2002 ($)
ASSETS [notes 6 and 7]		
Current		
Cash	**2,986,045**	720,489
Accounts receivable	**14,979,088**	13,019,992
Inventories	**1,297,954**	1,573,240
Prepaid expenses	**379,947**	525,533
	19,643,034	15,839,254
Capital assets [note 5]	**40,172,348**	44,161,718
	59,815,382	60,000,972
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness [note 6]	–	1,787,726
Accounts payable and accrued liabilities	**7,946,593**	6,357,676
Income taxes payable	**1,168,655**	40,188
Current portion of long-term debt [note 7]	**4,034,579**	4,577,892
	13,149,827	12,763,482
Long-term debt [note 7]	**3,542,750**	9,458,707
Future income taxes [note 9]	**4,437,018**	3,132,008
SHAREHOLDERS' EQUITY		
Share capital [note 8]	**41,308,849**	41,249,183
Contributed surplus	**826,000**	826,000
Deficit	**(3,449,062)**	(7,428,408)
	38,685,787	34,646,775
	59,815,382	60,000,972

See accompanying notes

On behalf of the Board:

George Watson
Director

Glen Roane
Director

Consolidated Statements of Income and Deficit

For the years ended November 30	2003 ($)	2002 ($)
REVENUES [note 11]	**63,686,858**	50,084,908
DIRECT COSTS	**43,387,652**	33,480,253
GROSS MARGIN	**20,299,206**	16,604,655
EXPENSES		
Amortization of capital assets [note 4]	**6,048,314**	5,288,297
Loss on sale of capital assets	**178,431**	3,060
Interest		
Long-term	**807,903**	983,742
Current	**136,779**	98,053
Selling, general and administrative	**6,024,137**	7,856,429
Foreign exchange loss	**540,197**	13,549
	13,735,761	14,243,130
Income from continuing operations before income taxes	**6,563,445**	2,361,525
INCOME TAXES [note 9]		
Current	**1,279,089**	195,752
Future	**1,305,010**	1,580,855
	2,584,099	1,776,607
Income from continuing operations	**3,979,346**	584,918
Loss from discontinued operations, net of tax	**–**	(71,374)
Net income for the year	**3,979,346**	513,544
Deficit, beginning of year	**(7,428,408)**	(7,941,952)
Deficit, end of year	**(3,449,062)**	(7,428,408)
NET INCOME PER SHARE		
Basic and diluted	**0.20**	0.03

See accompanying notes

Consolidated Statements of Cash Flows

For the years ended November 30	2003 ($)	2002 ($)
OPERATING ACTIVITIES		
Income from continuing operations	**3,979,346**	584,918
Add (deduct) items not affecting cash:		
Amortization of capital assets	**6,048,314**	5,288,297
Future income taxes	**1,305,010**	1,580,855
Loss on sale of capital assets	**178,431**	3,060
Foreign exchange loss	**540,197**	13,549
Cash flow from continuing operations	**12,051,298**	7,470,679
Net change in non-cash working capital	**638,963**	(1,805,820)
	12,690,261	5,664,859
Discontinued operations		
Loss and cash flow from discontinued operations, net of tax	**–**	(71,374)
	12,690,261	5,593,485
FINANCING ACTIVITIES		
Shares issued, net of share issue costs	**59,666**	–
Repayment of long-term debt	**(6,459,270)**	(4,157,406)
Proceeds from long-term debt	**–**	3,500,000
Increase (decrease) in bank indebtedness	**(1,787,726)**	1,381,484
	(8,187,330)	724,078
INVESTING ACTIVITIES		
Purchase of capital assets	**(2,744,795)**	(6,402,329)
Proceeds on disposal of capital assets	**507,420**	147,738
	(2,237,375)	(6,254,591)
Increase in cash during the year	**2,265,556**	62,972
Cash, beginning of year	**720,489**	657,517
Cash, end of year	**2,986,045**	720,489
Interest paid	**944,682**	1,081,795
Income taxes paid	**130,074**	806,279

See accompanying notes

Notes to Consolidated Financial Statements

November 30, 2003 and 2002

1. Nature of Business

The Company is incorporated under the Business Corporations Act (Alberta) and operates as a service company in the petroleum and utility industries.

2. Summary of Significant Accounting Policies

These consolidated financial statements are stated in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements necessarily involves the use of estimates and approximations which have been made using careful judgement. The consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned.

Inventories

Inventories are valued at the lower of cost and net realizable value, cost being defined to include laid-down cost for materials and actual cost for direct labour on a weighted-average basis.

Capital Assets

Capital assets are recorded at cost. Amortization is provided on a straight-line basis to recognize the cost less estimated salvage value of the capital assets over the estimated useful lives as follows:

Land improvements	10%
Buildings	5%
Shoring equipment	10%
Small tools	10%
Shop and office equipment	10%
Trucks and trailers	7%-10%
Leasehold improvements	20%
Computers	25%

Amortization of equipment under construction is not recorded until such time as the construction is completed and the assets have been put to use.

Although management believes its estimates of the useful lives of the Company's capital assets are reasonable, it is possible that another estimate may be made or that management's estimate may change in the future, which could result in changes to the rates. Management bases its estimate of the useful life of equipment on expected utilization, technological change and effectiveness of maintenance programs.

Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, future income tax liabilities and future income tax assets are recorded based on temporary differences – the difference between the carrying amount of an asset and liability in

the consolidated balance sheet and its tax basis and for the carry forward of unused tax losses and income tax reductions. Future income tax assets and liabilities are measured using income tax rates expected to apply in the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period that the change is substantially enacted. Future income tax assets are evaluated and if realization is not considered "more likely than not", a valuation allowance is provided.

Revenue Recognition

The Company recognizes revenue from daylighting services when the services are provided. Other revenue is recognized as services are performed.

Net Income per Share

Basic net income per share was calculated on the basis of the weighted-average number of shares outstanding for the year.

The Company follows the treasury stock method of calculating diluted net income per share. The treasury stock method assumes any proceeds obtained upon exercise of options would be used to purchase common shares at the average market price during the year.

Net income per share calculations are based on net income as the numerator in the calculation and the weighted-average number of common shares outstanding during the year (2003 – 20,127,300; 2002 – 20,107,945) as the denominator.

There are no significant differences between income and the weighted-average number of shares used in the calculation of basic net income per share and that used in the calculation of diluted net income per share.

Stock Options

The Company has one stock option plan available to officers, directors, employees and consultants with grants under the plan approved from time to time by the Board of Directors. Under the plan, the exercise price of each option equals the market price of the Company's stock in accordance with Toronto Stock Exchange Guidelines, provides for vesting at the discretion of the Board and expiration of the options is five years from the date of grant. No compensation expense is recognized for grants under this Plan when stock or stock options are issued. Any consideration received by the Company on exercise of stock options is credited to share capital.

Foreign Currency Translation

The subsidiaries in the U.S. have been accounted for as integrated foreign operations and have been translated using the temporal method.

Monetary assets and liabilities are translated into Canadian dollars at rates of exchange in effect at the balance sheet date. Non-monetary items are translated at historical exchange rates. Revenues and expenses are translated at the average exchange rates for the fiscal period. Exchange gains or losses arising on translation are included in the consolidated statements of income.

3. Change in Accounting Policy

Effective December 1, 2002, the Company prospectively adopted the new accounting standards for stock-based compensation. The Company applies the intrinsic value based method of accounting for stock options granted to employees under its incentive stock option plan. Accordingly, no compensation expense has been recognized in the consolidated financial statements. In accordance with the Company's incentive stock option plan, these options have an exercise price equal to the market price at the date of grant. The per-share weighted-average fair value of stock options granted was $0.63 during the year ended November 30, 2003 based on the date of grant using the Black-Scholes option pricing model with the following average assumptions: risk-free interest rate of 5.3 percent, expected life of four years and expected volatility of 80 percent.

Had compensation expense been determined based on the fair value at the grant dates for options awarded under the stock option plan, the Company's net income for the year ended November 30, 2003 would have been reduced by $95,000. These proforma earnings reflect compensation cost amortized over the option's vesting period.

4. Change in Estimate

During the first quarter of 2003 management's estimate of the salvage value of certain trucks and trailers was reduced. The change in estimate resulted in an increase in the amortization of capital assets for 2003 of $1,139,000 and a decrease in net income after taxes of $785,000 ($0.04 per share) from what otherwise would have been reported had the change not been made. The change has been applied prospectively.

5. Capital Assets

		2003 ($)	
	Cost	**Accumulated Amortization**	**Net Book Value**
Land	**919,037**	**–**	**919,037**
Land improvements	**366,643**	**221,177**	**145,466**
Buildings	**3,375,720**	**1,056,277**	**2,319,443**
Equipment under construction	**137,794**	**–**	**137,794**
Shoring equipment	**2,248,072**	**724,171**	**1,523,901**
Small tools	**39,264**	**27,003**	**12,261**
Shop and office equipment	**1,222,839**	**706,660**	**516,179**
Trucks and trailers	**57,553,589**	**23,073,283**	**34,480,306**
Leasehold improvements	**135,048**	**127,485**	**7,563**
Computers	**665,007**	**554,609**	**110,398**
	66,663,013	**26,490,665**	**40,172,348**

		2002 ($)	
	Cost	Accumulated Amortization	Net Book Value
Land	919,037	–	919,037
Land improvements	366,643	184,517	182,126
Buildings	3,354,188	887,913	2,466,275
Equipment under construction	6,662	–	6,662
Shoring equipment	2,269,481	551,399	1,718,082
Small tools	39,264	23,079	16,185
Shop and office equipment	1,420,432	692,840	727,592
Trucks and trailers	57,369,409	19,424,076	37,945,333
Leasehold improvements	135,048	124,699	10,349
Computers	660,111	490,034	170,077
	66,540,275	22,378,557	44,161,718

6. Bank Credit Facilities

The Company has bank credit facilities available up to $8,000,000 bearing interest at the bank's prime lending rate (November 30, 2003 – 4.5 percent; November 30, 2002 – 4.5 percent) or the bankers' acceptance rate plus 1.35 percent (November 30, 2003 – 4.12 percent; November 30, 2002 – 4.14 percent). A general assignment of book debts, inventories and corporate guarantees of companies within the group have been pledged as collateral for the bank credit facilities. There were no balances drawn on this facility at November 30, 2003.

In addition, the bank has made an ancillary facility available which will not be used for speculative purposes. The ancillary facility is a forward foreign exchange facility which allows the Company to enter into forward foreign exchange contracts of up to US$500,000 for up to twelve months from the contract date. There are no balances due on this facility at November 30, 2003.

As at November 30, 2003 the Company has issued letters of credit in the amount of approximately $277,000.

7. Long-Term Debt

	2003 ($)	2002 ($)
Loan payable, repayable in monthly principal and interest payments of $108,063 until November, 2004, bearing interest at 8.59 percent and collateralized by chattel mortgages on certain capital assets.	**1,242,223**	2,382,543
Loan payable, repayable in monthly principal and interest payments of $101,573 until July, 2004 bearing interest at 8.08 percent and collateralized by chattel mortgages on certain capital assets.	–	1,897,769
Loan payable, repayable in monthly principal and interest payments of $164,943 until March, 2005, bearing interest at the one month bankers' acceptance rate plus 3.15 percent (November 30, 2003 – 5.92 percent; November 30, 2002 – 5.94 percent) and collateralized by chattel mortgages on certain capital assets.	**2,466,890**	5,166,579
Loan payable, repayable in monthly principal and interest payments of $66,419 until December, 2005, bearing interest at the one month bankers' acceptance rate plus 3.15 percent (November 30, 2003 – 5.92 percent; November 30, 2002 – 5.94 percent) and collateralized by chattel mortgages on certain capital assets.	**2,526,696**	3,148,478
Commercial mortgage on land and building, repayable in monthly principal payments of $9,064 plus interest until February 2016, bearing interest at bank prime plus 0.75 percent (November 30, 2003 – 5.25 percent; November 30, 2002 – 5.25 percent).	**1,341,520**	1,441,230
	7,577,329	14,036,599
Current portion	**4,034,579**	4,577,892
	3,542,750	9,458,707

Principal repayments on the above loans in each of the next five years is as follows:

	($)
2004	4,034,579
2005	1,263,150
2006	857,480
2007	515,672
2008	108,768
Remainder	797,680
	7,577,329

The mortgage and loans payable are collateralized by a general security interest over the Company's assets, property and undertaking, present and future.

8. Share Capital

Authorized

Unlimited number of common shares, no par value

Unlimited number of preferred shares, no par value

Common shares issued:

	Number of Shares	Amount ($)
Balance November 30, 2002 and 2001	20,107,945	41,249,183
Exercise of options	63,333	59,666
Balance November 30, 2003	**20,171,278**	**41,308,849**

Options

The Company has issued stock options to acquire common shares through its stock option plan of which the following are outstanding at November 30, 2003:

	2003		2002	
	Shares	**Weighted Average Exercise Price ($)**	Shares	Weighted Average Exercise Price ($)
Outstanding at beginning of year	**1,453,000**	**2.39**	1,509,300	2.68
Granted during year	**515,000**	**0.95**	300,000	1.12
Exercised during year	**(63,333)**	**0.94**	–	–
Forfeited during year	**(244,000)**	**2.26**	(356,300)	2.50
Outstanding at year end	**1,660,667**	**2.02**	1,453,000	2.39
Options exercisable at year end	**946,500**	**2.68**	541,333	4.43

The following table summarizes information about the stock options outstanding at November 30, 2003:

	Number Outstanding November 30, 2003	Weighted Average Remaining Contractual Life (years)	Number Exercisable November 30, 2003
Exercise price			
$0.80	375,000	4.33	–
$0.85	385,000	2.17	385,000
$0.93	20,000	4.50	20,000
$1.13	200,000	3.00	50,000
$1.25	45,000	2.83	30,000
$1.30	50,000	1.92	37,500
$1.31	16,667	3.58	–
$1.45	75,000	4.75	–
$1.98	20,000	4.83	–
$2.00	28,000	1.25	28,000
$3.00	200,000	1.42	150,000
$5.50	56,000	0.08	56,000
$6.30	150,000	0.75	150,000
$6.95	40,000	0.08	40,000
	1,660,667		946,500

The Company had reserved a total of 1,942,236 shares for issuance under the stock option plan.

9. Income Taxes

Income tax expense differs from the amount that would be computed by applying the Federal and Provincial statutory income tax rates of 37.07 percent (November 30, 2002 – 39.36 percent) to income from continuing operations before income taxes. The reasons for the differences are as follows:

	2003 ($)	2002 ($)
Income from continuing operations before income taxes	6,563,445	2,361,525
Income tax rate	37.07%	39.36%
Expected income tax provision	2,433,069	929,496
Add (deduct):		
Benefit of U.S. current year losses not recognized	190,345	1,072,401
Other	(39,315)	(225,290)
	2,584,099	1,776,607

The net future income tax liability at November 30, 2003 is comprised of the tax effect of the following temporary differences:

	2003 ($)	2002 ($)
Future income tax assets:		
Non-capital losses	**7,919,336**	9,228,323
Cumulative eligible capital	–	702,702
Share issue costs	–	48,548
Investment in shares	**229,824**	229,824
	8,149,160	10,209,397
Valuation allowance	**8,149,160**	9,400,692
	–	808,705
Future income tax liabilities:		
Capital assets	**4,437,018**	3,940,713
Net future income tax liability	**4,437,018**	3,132,008

As at November 30, 2003, one of the Company's U.S. subsidiaries had net operating losses carried forward of approximately U.S. $16,464,000 which expire as follows:

		($)
	2019	4,843,000
	2020	4,757,000
	2021	3,402,000
	2022	3,103,000
	2023	359,000
		16,464,000

10. Segmented Information

The Company's reportable operating segments are distinct business units that offer different products and services within the petroleum and utility industries. The Company has three reportable operating segments: corporate, daylighting services and other.

The corporate segment provides management and administration services to the two operating segments.

The daylighting services segment designs and manages hydro-vacuum trucks which reduce the inherent dangers and difficulties involved with exposing underground pipelines and utilities.

Included in the Company's other reportable segment are activities related to manufacturing vacuum trucks for third parties in the oil and gas industry and the renting and selling of various lines of trench shielding used to shore and strengthen trenches dug for a variety of purposes.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies (note 2).

The following is selected segmented information for the years ended November 30, 2003 and 2002:

2003	Corporate ($)	Daylighting Services ($)	Other ($)	Total ($)
Revenues	–	62,291,119	1,395,739	63,686,858
Direct costs	–	42,048,700	1,338,952	43,387,652
Selling, general and administrative	1,828,667	3,918,559	276,911	6,024,137
EBITDA (*)	(1,979,840)	15,458,730	77,551	13,556,441
Amortization of capital assets	69,503	5,465,716	513,095	6,048,314
Income (loss) from continuing operations before income taxes	(2,991,596)	9,990,585	(435,544)	6,563,445
Total assets	3,230,652	51,123,829	5,460,901	59,815,382
Capital expenditures	6,476	2,710,842	27,477	2,744,795

2002	Corporate ($)	Daylighting Services ($)	Other ($)	Total ($)
Revenues	–	47,820,264	2,264,644	50,084,908
Direct costs	–	31,581,910	1,898,343	33,480,253
Selling, general and administrative	1,388,068	6,139,390	328,971	7,856,429
EBITDA (*)	(1,465,820)	10,155,608	41,829	8,731,617
Amortization of capital assets	113,499	4,734,855	439,943	5,288,297
Income (loss) from continuing operations before income taxes	(2,659,067)	5,418,708	(398,116)	2,361,525
Total assets	1,080,963	53,151,117	5,768,892	60,000,972
Capital expenditures	118,233	6,069,365	214,731	6,402,329

Geographically, the Company operates in Canada and the United States (U.S.). The following is selected information for the years ended November 30, 2003 and 2002 based on these geographic segments.

	2003			2002		
	Canada ($)	U.S. ($)	Total ($)	Canada ($)	U.S. ($)	Total ($)
Revenues	52,223,394	11,463,464	63,686,858	38,159,602	11,925,306	50,084,908
Direct costs	35,357,605	8,030,047	43,387,652	24,818,942	8,661,311	33,480,253
Selling, general and administrative	3,768,100	2,256,037	6,024,137	3,122,032	4,734,397	7,856,429
EBITDA (*)	12,939,200	617,241	13,556,441	10,134,359	(1,402,742)	8,731,617
Amortization of capital assets	4,918,931	1,129,383	6,048,314	3,793,716	1,494,581	5,288,297
Income (loss) before income taxes	7,077,891	(514,446)	6,563,445	5,260,989	(2,899,464)	2,361,525
Capital assets	33,635,672	6,536,676	40,172,348	34,540,741	9,620,977	44,161,718
Total assets	49,460,254	10,355,128	59,815,382	46,621,115	13,379,857	60,000,972
Capital expenditures	2,744,795	–	2,744,795	5,998,962	403,367	6,402,329

* EBITDA is not a recognized measure under Canadian generally accepted accounting principles and may not be comparable to similar measures presented by other companies. It is offered here because management believes it is a useful supplemental measure that provides an indication of the results generated prior to a consideration of how those activities are financed or taxed.

11. Financial Instruments

a) Fair value

The carrying value of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair value.

b) Foreign currency risk

The Company is exposed to foreign currency fluctuations in relation to its U.S. operations; however, management believes this exposure is not material to its overall operations.

c) Interest rate risk

A portion of the Company's debt is at floating rates, and as a result, the Company is exposed to changes in interest rates. The Company's earnings and the required cash flows to service the debt will fluctuate as a result of changes in interest rates.

d) Credit risk

The Company is exposed to normal credit risks of its customers that exist within the petroleum and utility industries.

During fiscal 2003 the Company derived more than 10 percent in revenue from one customer. The amount was $12,160,000 (2002 – $4,080,000).

12. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

13. Related Party Transactions

During the year the Company paid $992,675 (2002 – $841,499) in direct costs to a company owned 50 percent by a director of the Company. In addition, the Company paid $76,492 (2002 – $58,114) for professional fees to a partnership in which a director of the Company is a partner.

14. Subsequent Events

On December 2, 2003 the Company prepaid approximately $1.0 million on one of its floating rate term loans.

On February 5, 2004, the Company announced that the Board of Directors had unanimously approved a proposal to reorganize the Company into an income trust. The Company has scheduled a meeting of its shareholders and optionholders on March 24, 2004 to consider the reorganization of the Company through exchange of its common shares for Trust Units of Badger Income Fund.

Corporate Information

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Partner
Shea Nerland Calnan

Martin Margolis, CA
Chartered Accountant

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Stock Exchange Listing

Toronto Stock Exchange
Trading Symbol, effective April 5, 2004 "BAD.UN"

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Forward-Looking Statements

This annual report contains forward-looking statements subject to various risk factors and uncertainties, which may cause the actual results, performances or achievements of the Company to be materially different from any future results, performances or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to, fluctuations in the market for oil and gas related products and services, political and economic conditions, the demand for services provided by the Company, industry competition and the Company's ability to attract and retain key personnel.

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